STATE OF CONNECTICUT

STATE-WIDE REVENUE NEUTRAL MILL RATE FOR MOTOR VEHICLES

2012 SESSION

Proposed By:
Rep. Jeffrey J. Berger

State of Connecticut
HOUSE OF REPRESENTATIVES
STATE CAPITOL
HARTFORD, CONNECTICUT 06106-1591

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March 9, 2012

Dear Colleagues,

I am seeking the committee's support of HB 5405. The intent of this bill is to institute a statewide "revenue-neutral" motor vehicle tax, ending the economic disparities between the 169 cities across our state. The statewide mill rate will be derived from the median of the local mill rates in all municipalities of the state for the assessment year. The Office of Policy and Management will determine the median mill rate among all municipalities in the state and notify assessors.

Additionally this bill amends the definition of antique, rare or special interest vehicles. Vehicles wishing to qualify as an antique, rare or special interest vehicle will be a minimum of thirty years old and the assessment cap will be raised to $2,500.

My proposal will:

1. Set a statewide motor vehicle tax rate that would raise the same total revenue that all municipalities currently receive with their individual tax rates. In essence, creating a "revenue-neutral" scenario.

2. Amend the definition of antique, rare or special interest motor vehicles, from twenty to thirty years old and raise the assessment value to $2500.

It is time for Connecticut to streamline its motor vehicle tax rate, ending the practice of "mill rate shopping". During this tumultuous economic environment it is important that we not put undue burden on individuals or businesses. Under this bill residents would pay a reasonable tax equal throughout the state.

Thank you for your time and consideration. I hope that I can count on your support.

Sincerely,

State Representative Jeff Berger, 73rd District

Connecticut General Assembly

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January 31, 2012

To: Representative Berger

From: Kyle Rhude

Subject: Statewide Mill Rate for Motor Vehicles

You were interested in an updated analysis of the statewide revenue neutral mill rate for assessed motor vehicles.

Our analysis indicates that this rate would be approximately 25.78 mills, based upon the 2009 assessment and mill rate data. For comparison purposes, a town-by-town listing of levies under current law is attached.

We hope that you find this information helpful. Please contact us if you have any questions or need further assistance.

OLR RESEARCH REPORT

February 6, 2012 2012-R-0086

STATEWIDE MOTOR VEHICLE PROPERTY TAXES

By: John Rappa, Chief Analyst

You asked which states impose a statewide property tax on motor vehicles.

SUMMARY

A computer search found at least 16 states that impose statewide motor vehicle taxes or fees based on a vehicle's value, but only Kansas and Mississippi refers to their tax as a property tax. (Mississippi refers to its tax as an ad valorem tax, the term usually associated with property taxes.) All the states specify the portion of a vehicle's value subject to the tax (i.e., the assessment or base value) and the rate at which that value is taxed, but differ on whether the state or localities levy the tax and keep the revenue. Based on these differences, we divided the states into three groups:

1. states where counties or municipalities levy the tax or fee at a state-determined rate and keep the revenue (Kansas, Maine, Massachusetts, Mississippi, Montana, Nebraska, and Utah);

2. states that levy the tax or fee and redistribute the revenue to counties and municipalities according to statutory formulae (Arizona, California, Indiana, and Kentucky); and

As Table 2 shows, the base value starts at 50% for a vehicle purchased before its designated model year (e.g., a brand new 2013 Honda Accord released in 2012), jumps to 90% in the vehicle's model year, and drops to 10% after five years. The minimum tax is $5 (Mass. Gen. Laws, Chap. 60A, § 2).

Table 2: Massachusetts Motor Vehicle Excise Tax Rates

Model Year	*Assessment Rate (% of List Price)*
Year preceding manufacturer's design year	50%
Model Year	90%
Second	60%
Third	40%
Fourth	25%
Fifth and succeeding	10%

Mississippi

Mississippi's counties and municipalities levy ad valorem motor vehicle property taxes, which owners must pay when paying the state "road and bridge privilege license tax." Counties and municipalities set the tax rate, but the State Tax Commission sets a uniform statewide assessment rate (i.e., the portion of value subject to the tax), which is currently 30% of the manufacturer's suggested retail price, reduced for depreciation over 10 years. The minimum assessed value for passenger vehicles is $100. (Miss. Code, §§ 27-51-7 to 19).

Montana

Montana allows counties to tax registered motor vehicles based on their value or a flat fee. Those choosing the former may set a rate of up to 0.7% of value, depreciated according to a statutory schedule. Counties must keep half the tax or fee revenue and distribute the rest to their respective municipalities according to a statutory formula (Mont. Code Ann. § 61-3-537).

Nebraska

Nebraska's statewide motor vehicle tax is based on a vehicle's manufacturer's list price, which is depreciated over 14 years according to a statutory schedule. The annual tax equals the amount set by law for that value. For example, the tax on a new car listing for $22,000 equals 100% of that value. According to the statutory schedule, the tax on a

California

California imposes a basic 0.65% annual vehicle license fee on noncommercial vehicles' fair market value depreciated over 11 years according to a statutory schedule. The state redistributes most of the revenue to cities and towns (Cal. Rev. & Tax Code, §§ 10751 to 10760).

Indiana

Indiana imposes an annual license excise tax mostly on passenger motor vehicles based on their value when first offered for sale in the state. It divides vehicles into 17 classes based on price and taxes each class according to a different 10-year, descending statutory rate schedule. For example, the annual tax on a $22,000 car (Class XIII) is $300 when new, $150 after five years, and $30 after 10 years. The minimum tax is $12. The tax revenue is distributed to counties (Indiana Rev. Code §§ 6-6-5-1 to 6-6-5-10).

Kentucky

Kentucky's Revenue Services Department imposes an annual fee on trucks, tractors, and buses and redistributes the revenue to counties and municipalities (Ky. Rev. Stat. § 136.188). It determines the fee by multiplying a vehicle's fair market value by a statutory tax rate that incorporates local property tax rates for commercial and industrial personal property.

STATE LEVIES AND RETAINS TAX OR FEE

Colorado

Colorado imposes an annual ownership tax on most types of motor vehicles. The tax is based on 85% of a vehicle's suggested retail price, excluding federal excise taxes, transportation or shipping costs, and preparation and delivery costs. This value, as shown in Table 4, is taxed according to a statutory, 10-year descending rate schedule (Col. Rev. Stats., § 42-3-107).

Minnesota

Minnesota levies a vehicle registration tax on passenger vehicles equal to $10 plus 1.25% of the car's manufacturer's suggested retail price, including destination charges (i.e., base value). The tax decreases over 10 years, from 100% of the base value in the first year to 10% in the 10th year. After 10 years, the tax is $25 per year. The minimum annual tax is $25 (Minnesota Stats. Ann., § 168.013).

Minnesota also imposes the tax of farm vehicles and trailers based on their weight, as specified in statute.

Nevada

Nevada imposes an annual 4% "basic governmental services tax" on motor vehicles. The 4% rate applies to 35% of a vehicle's suggested retail price (i.e., base value), excluding options and extras. The Motor Vehicles Department decreases the base value according to statutory schedules. The base value for cars decreases over nine years, from 100% in the first year to 15% in the ninth and subsequent years. The base value for buses, trucks, and truck-tractors decreases over 10 years, from 100% in the first year to 23% in the 10th and subsequent years.

Nevada also allows counties, after holding a referendum, to add 1% to the state car tax to finance limited access highway projects (Nev. Rev. Stats., §§ 371.030 to 371.060).

JR:ro